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ABSTRACT

This report presents the findings of the New York State Comptroller's audit of the Education Department's management and oversight of the Preschool Handicapped Education Program. The audit notes a 68 percent increase (to $298 million) in costs during 1990-91 over the previous year, most of which is attributed to the 55 percent increase in the number of children enrolled. Other factors identified as contributing to rising costs included: broad definitions of certain handicapping conditions, especially "speech impaired"; too much subjectivity in the child evaluation process; too much use of the more expensive center-based programs rather than itinerant services; many local Committees on Preschool Special Education (CPSE) that do not possess adequate professional expertise and rely on parent-selected private evaluators (who are also often program providers); and the need for formal objectives and performance measures for the program. This report includes introductory material on the audit background, scope, objectives, methodology, and internal control; discussion of program design and implementation; consideration of the effectiveness of CPSEs; and conclusions regarding the effectiveness and cost of the program and individual providers. Two exhibits present: (1) a summary of children enrolled in the program by condition for 1989-90 through 1991-92; and (2) estimation of potential cost savings with increased use of itinerant services. Comments of Department officials are appended. (DB)

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State of New York
Office of the State Comptroller

Division of Management Audit

Report 93-S-23

The Honorable R. Carlos Carballada
Chancellor of the Board of Regents
The University of the State of New York
State Education Building
Albany, NY 12234

Dear Chancellor Carballada:

The following is our report on the State Education Department's management and oversight of the Preschool Handicapped Education Program.

This audit was performed pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law.

This report was prepared under the direction of David R. Hancox, Audit Director. Major contributors to the report are listed in Appendix B.

Office of the State Comptroller
Division of Management Audit

February 10, 1994

Executive Summary

State Education Department
Preschool Handicapped Education Program

Scope of Audit

The Preschool Handicapped Education Program (program) was established in 1989 to provide special educational services to three and four year old children with handicapping conditions. Each school district's Board of Education (Board) must establish a Committee on Preschool Special Education (CPSE), which is responsible for ensuring that children are evaluated, determining the type of services required, submitting recommendations to the Board for approval, and annually reviewing the status of each child in the program. The counties are responsible for contracting with service providers and arranging for the transportation of children. The State Education Department's (Department) Office of Special Education Services is responsible for approving service providers and ensuring that providers comply with regulations.

Program costs totaled $298 million for the 26,950 children enrolled statewide in the program during the 1990-91 fiscal year. This represented a cost increase of about $121 million or 68 percent from the prior year. Most of the cost increase can be attributed to the 55 percent increase in the number of children (17,396 vs. 26,950) enrolled in the program from 1989-90 to 1990-91. The State and counties are each responsible for 50 percent of program expenses.

Our audit addressed the following question:

What are the major factors that have contributed to the significant increase in program costs?

Audit Observations and Conclusions

Preschool program costs are increasing at an alarming rate. We believe there are weaknesses in the design, implementation and administration of the program which have contributed to the increase in program enrollments and costs. In our judgment, Department officials must address these weaknesses to stem the rising costs.

We found that the Commissioner's definitions of certain handicapping conditions, such as speech impaired, are broad and lend themselves to varying interpretations. The diagnosis of speech impaired has been the most frequently identified handicapping condition, nearly doubling from 10,232 preschool children in 1989-90 to 19,644 preschool children in 1991-92. Nearly two out of three children in the program are diagnosed as speech impaired. Additionally, neither the Department nor the school districts (including the CPSEs) have

developed technical guidance to help minimize the subjectivity of the evaluation of the severity of a child's handicapping condition and the determination of the appropriate type of program and level of service for the child. (see pp. 5-7)

The type of program and level of service that a child receives significantly impacts cost. Children with handicaps can be placed in center-based programs, which often provide full-time comprehensive services, or receive itinerant services, e.g., services provided by independent practitioners. The cost of itinerant services is generally much lower than the cost of center-based programs. Most handicapped children in the State are placed in center-based programs. Children with speech impairments account for most of the placements in center-based programs, although a Department official told us that speech impairments can generally be treated effectively through itinerant services. We question the need to place so many children in center-based programs and estimate that about $58 million could have been saved annually had greater use been made of itinerant services. (see pp. 7-10)

We found that the CPSEs are not functioning in a manner that fosters the most appropriate placement of children. Many CPSEs may not collectively possess the professional expertise to critically review assessments and recommendations of the private evaluator who is selected by the parent and becomes a temporary member of the CPSE. At the districts we visited, other members of the CPSEs relied upon the private evaluators' assessments and recommendations. Since the private evaluators are also providers of program services, a potential conflict-of-interest exists. Eighty-three percent of the 591 children whose records we reviewed were placed in the programs of the providers who also evaluated the children. At one district, officials advised us that a provider actively recruited children for his program. We requested an independent licensed professional to review the files for ten handicapped children. He noted that five of the children were likely recommended for excessive levels of service. (see pp. 11-16)

In addition, we found that neither the Department nor the localities have established formal objectives and performance measures for the program. As such, program administrators cannot demonstrate whether the program is accomplishing its objectives and benefitting the children it serves. We also found that individual provider effectiveness should be assessed and that provider compliance with regulations needs to be adequately monitored. (see pp. 17-23)

Comments of Department Officials

Education Department officials agreed with most of our recommendations, and they have already taken steps to implement several of them.

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Exhibit A: Summary of the Number of Children Enrolled in Preschool Handicapped Education Programs by Condition For the 1989-90 through 1991-92 School Years

Exhibit B: Estimation of the Potential Cost Savings If Preschool Children Received Center-Based and Itinerant Services in the Same Proportions as School-Aged Children For the 1989-90 through 1991-92 School Years

Appendix A

Comments of Department Officials

Appendix B

Major Contributors to This Report

Introduction

Background

The Preschool Handicapped Education Program (program) was established to provide special educational services to three and four year old children with handicapping conditions. Effective July 1, 1989, legislation transferred responsibility for the program from the Family Court system to the school districts. In accordance with the legislation, each school district's Board of Education (Board) must establish a Committee on Preschool Special Education (CPSE), which has primary responsibility for the evaluation and placement of preschool children with handicapping conditions.

The counties and the State Education Department (Department) also have program responsibilities. The counties are responsible for contracting with service providers and arranging for transportation of children. The Department's Office of Special Education Services is responsible for approving service providers and ensuring that providers comply with related laws and regulations. The Department's Program Services Reimbursement Unit establishes tuition rates for approved preschools. These rates must be approved by the State Division of the Budget. The State reimburses the counties 50 percent of the actual costs incurred, as long as the costs are within the approved rates. Starting July 1, 1990, counties are eligible for reimbursement of administrative costs up to $50 per child served.

Program costs are increasing rapidly. During the 1990-91 fiscal year, the State and the counties spent approximately $298 million for 26,950 children enrolled statewide in the program. Instruction costs totaled $247 million and transportation costs totaled $51 million. This represented an increase of $120.9 million or 68 percent in program costs from the prior year. Most of the cost increase can be attributed to the 55 percent increase in the number of children (17,396 vs. 26,950) enrolled in the program from 1989-90 to 1990-91. The State and counties share equally in program costs.

According to the National Association of State Directors of Special Education, the percentage of children aged 3-5 years in the State who were enrolled in preschool handicapped education programs during the 1990-91 year (3.53 percent) was consistent with the percentage of the children aged 3-5 years in preschool handicapped education programs nationwide during the same period (3.59 percent). However, if the Department's estimated enrollment for the 1991-92 year (30,502 children) is accurate, almost 4 percent of the State's 3-5

year old children will be in the program. Consequently, the proportion of the State's 3-5 year old children enrolled in the program, would exceed the national average by about 11 percent.

Moreover, from the 1987-88 year through the 1990-91 year, the rate of growth in the proportion of New York State children aged 3-5 years in the program was double the national average for that period. New York's growth increased significantly after legislation assigned responsibility for 3-5 year olds to the school districts. If the current annual rates of growth in New York's program continue, the proportion of 3-5 year old children enrolled in the State may significantly exceed the national average in the next few years.

Concerned about the rapidly increasing costs of the program, the Association of Counties (Association) issued a report in June 1992 calling for statewide reform of the program. The Association was specifically concerned with the high proportion of children receiving full-time center-based services rather than less expensive part-time, itinerant services. According to the Association, the proportion of children placed in full-time center-based programs is higher in New York than in many other states. The Association's recommendations included:

- enforcing least restrictive environment requirements;
- establishing appropriate eligibility requirements;
- ensuring objectivity in the evaluation process; and
- expanding allowable sites for the delivery of services on an itinerant basis.

Audit Scope, Objectives and Methodology

We audited the practices and procedures for administering the program at the Department and six selected school districts for the period July 1, 1990 through June 30, 1992. However, where necessary, earlier or later periods were reviewed to determine the adequacy of the Department's or districts' practices. The primary objective of our performance audit was to identify the factors in the program's design and implementation that have contributed to the increase in program costs. Our audit did not include assessments of transportation costs or the administrative costs of the municipalities related to the program.

To accomplish our audit objective, we reviewed applicable laws, policies, procedures, rules and regulations, and fiscal records; interviewed responsible Department and school district officials and staff; and analyzed appropriate available records. We also compiled and assessed the responses to questionnaires that we sent to a judgmental sample of school districts.

Our review included site work at six school districts (selected judgmentally), as well as the Department's central office in Albany. The six districts that we visited were: Rensselaer (Rensselaer County), Ravena (Albany County), Liverpool (Onondaga County), Levittown (Nassau County), Connetquot and Sachem (Suffolk County). We have no reason to believe that the six districts that we selected for site reviews had practices which were significantly different from other districts on a statewide basis.

We also utilized a consultant to assess the propriety of the placements of certain children in the program based on documentation contained in case files maintained by the districts that we visited. The consultant has 20 years of professional experience in the field of special education. He has a doctorate in Educational Psychology and a masters degree in Special Education. He is presently a professor, School of Education, Special Education Department, the College of Saint Rose in Albany, NY. He is certified in the State of Vermont as a teacher of the handicapped. He has served as a consultant to New York State school districts in the area of special education programs. He has made presentations for the New York State Education Department, Office of Children With Handicapping Conditions, dealing with consulting teacher services for handicapped learners and delivery of special education services. He was also a clinical associate, University of Minnesota, Department of Psychoeducational Studies, Severely Multihandicapped Program, where he conducted research dealing with the assessment and evaluation of severely multihandicapped persons.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those areas of the Department which are included within the audit scope. Further, these standards require that we understand the Department's internal control structure and compliance with those laws, rules and regulations that are relevant to Department operations which are included in our scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses on those operations that have been identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite

audit resources are used to identify where and how improvements can be made. Thus, little audit effort is devoted to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

Internal Control and Compliance Summary

Our consideration of the Department's internal control structure focused on the control environment, which is defined as the overall impact of various factors in establishing, enhancing or mitigating the effectiveness of specific policies and procedures. The control environment reflects the overall attitude, awareness and actions of management concerning internal controls and their emphasis in the organization. Our audit identified deficiencies in the control environment of various Department activities. These deficiencies are further described in the body of the report.

Our audit identified no significant instances of noncompliance with relevant laws, rules and regulations. However, we noted certain other matters involving the internal control structure and its operation that should be addressed by Department management. These matters are presented throughout the report.

Response of Department Officials to Audit

Draft copies of this report were provided to Department officials for their review and comment. Their comments have been considered in preparing this report and are included in Appendix A.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of Education shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Program Design and Implementation

We identified weaknesses in the design and implementation of the program, which have contributed to the increase in the number of handicapped preschool children in the program and to the apparent over-utilization of full-time program services. We found that the Commissioner's definitions of handicapping conditions are broad and lend themselves to varying interpretations. We also found that specific guidelines have not been developed for assessing the severity of handicapping conditions of preschool children and determining the appropriate type of program and level of service necessary. In addition, we believe that significant cost savings could be realized by expanding the use of itinerant services, e.g., independent practitioners, where appropriate, and relying less heavily on center-based programs.

Definitions of Handicapping Conditions for Preschool Children

The Commissioner's Regulations define a preschool child with a handicapping condition as a child who is eligible to receive preschool programs and services because of mental, physical, or emotional reasons. The Regulations identify and define 11 handicapping conditions, which include speech impaired, multiply handicapped, mentally retarded, emotionally disturbed, learning disabled, orthopedically impaired, other health impaired, autistic, hard of hearing, visually impaired, and deaf. (See Exhibit A for a summary of the number of children enrolled in the program by handicapping condition for the 1989-90 through 1991-92 school years.)

Following are the definitions of three of the 11 handicapping conditions included in the Commissioner's Regulations:

Speech Impaired - A pupil with a communication disorder, such as stuttering, impaired articulation, a language impairment, or a voice impairment, which adversely affects a child's educational performance.

Emotionally Disturbed - A pupil with an inability to learn which cannot be explained by intellectual, sensory, or health factors.

Learning Disabled - A pupil with a disorder in one or more of the basic psychological processes involved in understanding or in using language, spoken or written, which manifests itself in an imperfect ability to speak, read, write, spell, or do mathematical calculations.

We found that some definitions of handicapping conditions are broad and do not consistently provide district officials with a fixed standard to make judgments when evaluating preschool children. Additionally, neither the Department nor the localities have developed specific guidelines which could be used to minimize the subjectivity of the assessment of a child's handicapping condition and resulting placement into a program.

The diagnosis of speech impaired has been the most frequently cited handicapping condition, nearly doubling from 10,232 (or 58.82 percent of total placements) in 1989-90 to 19,644 (or 64.40 percent of total placements) in 1991-92. In contrast, data provided by Department officials indicates that only about 11 percent of the total school aged handicapped population was diagnosed as speech impaired during the period July 1, 1989 through June 30, 1992.

Additionally, CPSE officials at Liverpool, Sachem, and Connetquot each indicated that the Regulations are more applicable to school age children, since they were written primarily for school age children and not for preschool children. They added that it was often inappropriate to apply the definitions of handicapping conditions for school age children to three and four year old children. CPSE officials at Liverpool and Sachem questioned, for example, the application of the Regulation's definition of learning disabled to preschool children. They did not believe that it was reasonable to expect most three or four year old children to read, write, spell and do math.

In response to our preliminary audit findings, Department officials agreed that the eligibility criteria for a preschool child should be strengthened and stated they had proposed new criteria to the Board of Regents. In May 1993, the Department adopted a revised definition of a preschool student with a disability. The purpose of the revised definition was, "to establish criteria for determining eligibility for preschool special education programs or services; revise the definition of preschool student with a disability to adopt criteria for determining the presence of an educational disability that are better suited to children of preschool age than the classifications developed for children of school age."

Program Placement Guidelines

Children with handicapping conditions can be placed in center-based programs or can receive itinerant services. A center-based program usually provides comprehensive services for a child with handicapping conditions and must be approved by the Department. Center-based handicapped education programs are usually independent from programs for children without handicapping conditions and generally operate five days a week. Children in center-based programs can

receive full-time services (about 5 hours per day) or part-time services. Some center-based programs provide services for the full range of handicapping conditions (as defined by the Commissioner's Regulations), while other center-based programs provide services for only a limited number of handicapping conditions.

Itinerant service is defined as a "related service provided by an appropriately certified or licensed individual in conjunction with and at the location of a program which has been approved or licensed by an appropriate governmental agency." An approved or licensed program could include, for example, a preschool or day-care program that was not designed for children with handicapping conditions. In general, itinerant services are provided on a limited basis, such as two or three half-hour sessions per week. (Note: In their response to the draft report, Department officials indicated that the term "itinerant services" was deleted from Section 4410 of the State Education Law pursuant to Chapter 705 of the Laws of 1992. Itinerant services are now described as related services or special education itinerant services.)

Although Department officials have drafted legislation to create new definitions for "a child with a disability" in preschool, they have not yet developed technical guidance which would help a CPSE to relate a child's degree of disability to an appropriate level of service. Furthermore, based on our site visits to the districts, we found that the CPSEs, the school districts, and the counties have not developed any specific guidance for assessing the severity of handicapping conditions of preschool children and for determining the appropriate type of program and level of service necessary. Consequently, CPSEs do not have an objective basis for placing children into service programs.

The absence of criteria for determining the appropriate type of program and level of services gives evaluators wide latitude in making their recommendations and contributes to insufficient documentation in case files supporting placements and services provided to the children. Consequently, there is significant risk that CPSEs are unnecessarily placing children into full-time programs or into other programs with excessive levels of services, and unnecessary costs to taxpayers.

Expanding the Use of Itinerant Services

In New York, most handicapped preschool children are placed into center-based programs. The large proportion of children placed in the higher cost, center-based programs contributes significantly to the total annual cost of the program. During 1990-91, there were 24,816 children enrolled in center-based programs, at a cost of $294,044,323. In contrast, only 2,134 children received itinerant services, at a cost

of $3,474,784. In general, the costs of itinerant services are much lower than the costs of center-based programs.

The following table illustrates the wide disparity in total and per student costs between center-based programs and itinerant services for the 1989-90 and 1990-91 years. For example, during 1990-91, it cost the State and counties an average of $11,849 for each handicapped child placed in center-based programs; itinerant services averaged only $1,628 per child during the same period.

COMPARISON OF PROGRAM COSTS
CENTER-BASED PROGRAMS VERSUS ITINERANT SERVICES

	1989-90	1990-91
Total Cost:		
Center-Based	$175,539,278	$294,044,323
Itinerant Services	$1,034,216	$3,474,784
Number of Children:		
Center-Based	16,572	24,816
Itinerant Services	824	2,134
Cost per child:		
Center-Based	$10,593	$11,849
Itinerant Services	$1,255	$1,628
NOTE: The actual total costs for the 1991-92 year were not available at the time of our audit.		

As shown by Exhibit A, over 60 percent of the children in the program are classified as speech impaired. According to a Department official, speech impairments can generally be treated effectively through itinerant services. However, as illustrated by the following table, during the three school years ended June 30, 1992, between 86 percent and 92 percent of all children diagnosed as speech impaired were placed in center-based programs.

CHILDREN DIAGNOSED AS SPEECH IMPAIRED
PLACEMENTS IN CENTER-BASED PROGRAMS VERSUS ITINERANT SERVICES

Program	1989-90 Amount	1989-90 Percent	1990-91 Amount	1990-91 Percent	1991-92 Amount	1991-92 Percent
Center-Based	9,459	92.45%	14,977	88.3%	16,917	86.12%
Itinerant	773	7.55	1,984	11.7	2,727	13.88
Totals	10,232	100%	16,961	100%	19,644	100%

There has been an increase in the proportion of children receiving itinerant speech therapy services, from 7.55 percent in 1989-90 to 13.88 percent in 1991-92. Nevertheless, 16,917 (86.12 percent) of the speech impaired children were placed into center-based programs in 1991-92. Given the cost-efficiency of itinerant services for such children, we question the propriety of placing such a large percentage of the speech impaired children in center-based programs.

Exhibit B summarizes the number of preschool children who were diagnosed as speech impaired during the 1989-90 through 1991-92 years. In addition, Exhibit B illustrates that $174.7 million in potential cost savings (an average of $58.2 million per year) could have been achieved for those years if the proportions of preschool children who were placed in center-based programs and who received itinerant services were similar to the proportions of school aged children who were placed in center-based programs and received itinerant services.

Through the 1991-92 school year, the Education Law required that itinerant services be provided in conjunction with government approved or licensed programs, such as preschools and center-based programs. According to Department officials, this resulted in limited use of itinerant services because many parents were unable (or unwilling) to pay preschool tuitions. Consequently, most speech impaired children were placed in full-time programs that would be paid for entirely by the municipality and the State. Recently, however, the Law was changed and grants the local Boards of Education the authority to approve any appropriate site for itinerant services, such as a child's home. We believe this enables greater use of itinerant services and that a commitment by the CPSEs, the Boards of Education, and the Department to make full use of itinerant services could save millions of tax dollars annually.

Recommendations

1. Provide the districts with technical guidance:

   - to help ensure the consistent, objective assessment of the degree of handicapping condition(s) that a preschool child may have. Priority should be given to guidelines relating to children who may be speech impaired.

   - that helps to relate the varying degrees of handicapping conditions to the appropriate types and levels of educational programs for handicapped preschool children. Again, priority should be placed on guidance for children who are speech impaired.

2. Ensure that district officials sufficiently consider itinerant services before they place children in full-time programs. Documentation that itinerant services were considered should be maintained in case files.

The Committees on Preschool Special Education (CPSEs)

We found that the CPSEs are not functioning in a manner that fosters the independent and objective assessment and placement of children who are diagnosed with handicapping conditions. CPSE members who represent the districts may lack relevant professional expertise and evaluator/providers lack independence. As a result, unnecessary and inappropriate placements are likely occurring. The CPSE reviews and approvals appear in many instances to be perfunctory, with the private evaluator/providers actually controlling the process. Consequently, State and local taxpayers may be paying for services or levels of services that are not needed.

Professional Expertise of CPSE Members

The Education Law requires each school district to establish one or more CPSEs. CPSEs are responsible for arranging the evaluations of preschool children suspected of having handicapping conditions, reviewing the results, determining the extent of a child's handicapping condition, developing individual education plans (IEPs), determining the type of services required, making placement recommendations to the Board, and annually reviewing the status of each preschool child receiving services.

The Education Law also requires each CPSE to include: an appropriate professional employed by the school district; a parent of a child with a handicapping condition who resides in the district; and a professional who participated in the initial evaluation of the child for whom educational services are sought. The evaluator is a program provider and is selected by the child's parent. However, neither the Education Law or the Regulations define what constitutes an "appropriate professional" employed by the district.

The Education Law has different requirements for the committees on school-aged handicapped education. For example, these committees are required to include a school psychologist. According to Department officials, a licensed psychologist or certified school psychologist is best suited to assess a child's handicap and determine the appropriate types and levels of services needed.

In our visits to the six school districts, we noted that the district representative on two CPSEs were certified school business administrators, who did not have credentials in special education. Consequently, we question whether the CPSEs of these districts collectively possessed the professional expertise needed to review the

assessments and recommendations of the private evaluator. Moreover, district CPSE members generally relied upon the private evaluators' assessments and recommendations. There were usually no alternatives proposed (i.e., different provider, itinerant services, etc.). Officials at Rensselaer and Levittown told us that district CPSE members rarely questioned the evaluator's assessments and recommendations.

In addition, in accordance with the Education Law, the chief executive officer of the preschool child's county of residence should appoint an appropriately certified or licensed professional to the CPSE. However, at the districts that we visited, the counties usually had no representative attending the CPSE meetings.

The CPSEs at the Sachem, Connetquot and Liverpool school districts recognized the need to strengthen the collective expertise of the CPSE and sought to invite a specialist to the CPSE meetings for advisement. However, according to officials at Sachem and Connetquot, the Department's regional associates informed the CPSEs that they could not have a specialist present at the meetings because the attendance of an independent specialist made the meetings unnecessarily large. In addition, an SED official told us that the Law precluded the attendance of an independent specialist at a CPSE meeting, unless it was approved by the parent of the handicapped child.

A district's CPSE submits its assessment of a child's handicapping condition and recommendation for program placement to the Board of Education, which can approve, amend or deny the CPSE's recommendation. Our reviews at the six districts disclosed that the Boards almost always approved the CPSEs' recommendations without change. At only one of the six districts did the Board amend program recommendations for the children we selected for review.

The following are the results from our site visits, showing where the services recommended by the evaluators were the same or different after CPSE and Board review:

District	Number of Files Reviewed	Number of Children Identified As Handicapped by Evaluator	CPSE Review		Board Review	
			Same	Different	Same	Different
Connetquot	31	21	20	1	21	0
Levittown	28	28	23	5	28	0
Liverpool	30	30	21	9	30	0
Ravena	31	31	24	7	31	0
Rensselaer	20	20	18	2	20	0
Sachem	30	27	20	7	25	2
Total	170	157	126	31	155	2

From our review of 157 files of handicapped children, we found no evidence that the CPSE questioned the evaluations in 80 percent (or 126) of the cases. Similarly, we found little evidence that the Board questioned the recommendations of the CPSE. As indicated by the table, the Board of only one (Sachem) of the six districts visited revised the evaluator's proposal. As such, we believe that there is little assurance that the approved services and programs are always necessary, appropriate, and best suited for the children.

Conflict-of-Interest in the Evaluation Process

To ensure propriety, all parties to a transaction must be (and appear to be) free of any interest which could be regarded as incompatible with the correctness and objectivity of the transaction. However, we believe there is a conflict-of-interest for program providers who also evaluate the children.

The intent of CPSE meetings is for the members to reach a consensus on the classification of the handicapping condition, the level of services necessary, and the appropriate program to serve the child's needs. However, an SED official and officials at Rensselaer and Sachem told us that the evaluator and parents usually reach agreement on the level of services and the appropriate program for a child before the CPSE meets. Thus, parents often request the CPSE to recommend their child for placement in the evaluator's program, although other programs may be available to serve the child. We question the propriety of this process because of the lack of assessment and placement guidelines and because of the potential for conflict-of-interest which exists for evaluator/providers.

It is in the financial interest of the evaluator/providers for the CPSEs to recommend children for the evaluator/providers' programs. According to Department officials, although evaluator/providers generally will not prepare written recommendations that children be placed in programs which they operate, evaluator/providers often verbally advise the other CPSE members of their programs. Likewise, providers have a greater interest in placing children in their full-time programs than in part-time programs. We conclude that a conflict-of-interest exists for providers who evaluate, recommend and subsequently accept children for their programs through the CPSE process.

In addition to the six districts that we visited, we sent questionnaires, and conducted telephone surveys of other districts, to determine how often a child was placed in the program of a provider who also evaluated that child. The following table summarizes the results of the information we obtained from our field visits and from the responses to our surveys and questionnaires. As shown by the table, 490 (83 percent) of 591 children were placed in the programs of the providers who also evaluated the children.

	Handicapped Files Reviewed	Child Placed in Evaluator's Program	Percent Placed With Evaluator
Site Visits:			
Connetquot	21	16	76%
Levittown	28	18	64
Liverpool	30	24	80
Ravena	31	30	97
Rensselaer	20	17	85
Sachem	27	24	89
Questionnaire Results: 48 Districts	398	326	82
Telephone Survey: 15 Districts	36	35	97
TOTAL: 69 Districts	591	490	83%

The following examples of potential conflicts-of-interest were brought to our attention at the districts we visited.

- Officials at the Rensselaer City School District stated that a provider actively recruited children for his program by referring them to the CPSE after he performed a "free screening" at local preschools and

Headstart Programs. Subsequently, this provider formally evaluated children for the CPSE and advised parents to select his program for their children.

• The CPSE chairperson for Liverpool in 1989-90 and 1990-91 was also director of the district's preschool handicapped program. During this period the director was involved in the evaluation of children. The chairperson acknowledged that this arrangement represented a conflict-of-interest, and that she was uncomfortable with it. For the 1991-92 school year, the district appointed a school psychologist as chairman of the CPSE. Also, the director of the preschool handicapped education program advised us that she would not participate in the evaluation of children in the future.

Review of Case Files by an Independent Evaluator

To determine whether the handicapping conditions and type and level of services prescribed were appropriate and sufficiently documented, we requested an independent licensed professional to review ten cases that we selected from four of the school districts that we visited.

Our consultant advised us that the evaluations were generally "open ended"; they left much room for interpretation and, as such, were difficult to question. He also noted that there was considerable diversity in the types of evaluative tests used by the evaluators. Accordingly, certain tests may be more reliable than others to assess the severity of a handicapping condition and determine the appropriate type and level of service the child requires.

Moreover, the consultant noted that the diagnosis of the handicapping conditions of all ten children were consistent with the definitions in the Regulations. Our consultant further indicated, however, that the available file documentation did not conclusively support the services recommended for eight of the children. He also indicated that five of the eight children were likely recommended for excessive levels of service, including placements in full-time programs when part-time programs or itinerant services were appropriate.

The following is one example of the cases we asked the consultant to review. A speech impaired child was placed in a full-time center-based program (five days per week and five hours per day) for the 1990-91 and 1991-92 school years. However, an evaluation in the child's file indicated that the child required only individual speech therapy - 30 minutes a session, twice a week. Our consultant indicated that the five-day, intensive program was above what was required in relation to the documented speech/language needs of the child. The full-time programs for this child cost over $18,000 annually for the 1990-91 and 1991-92 school years. In contrast, we estimate

that the average per student cost for itinerant services during the 1991-92 year was about $2,700.

Recommendation

3. The Department should develop formal program guidelines:

   - which minimize the potential for and effect of the conflict-of-interest which currently exists for service providers who also evaluate the children who are frequently placed in their programs; and

   - that ensure the districts have representatives on the CPSE who are fully qualified to assess, and when necessary, challenge the findings of the evaluators/providers.

Assessing the Effectiveness and Cost of the Program and Individual Providers

We determined that the Department has not developed a process to assess the effectiveness and cost-benefit of services provided under the program. In addition, we found no indications that local authorities (counties, districts, or CPSEs) formally assessed the performance and benefits of the program. As such, neither State nor local officials have sufficient assurance that the program is accomplishing its objectives, or is doing so in a cost-effective manner.

Assessing Overall Program Performance

Formally established performance objectives and measures are important to any significant program initiative because they clearly define the results which should be achieved through program activities. Formal objectives also provide a clear sense of purpose to employees and managers who are responsible for program activities. Management should periodically measure program performance against established standards to determine whether the program is accomplishing its objectives.

We found, however, that neither the Department nor the localities have established formal objectives and performance measures for the program. As such, program administrators cannot inform policy makers or taxpayers as to whether the program is accomplishing its objectives and is benefitting the children it serves.

The Education Law requires the CPSEs to re-evaluate annually the children who are placed into the program. The Department, however, does not routinely review re-evaluations to determine whether there has been any improvement in a child's condition (indicating that the program has been successful in treating a child's needs). Moreover, the Department has no program to assess the overall effectiveness of program providers.

In the absence of any Department performance standards, we attempted to develop a measure of program success by determining whether the recommended levels of services changed after the children received their annual re-evaluations. We believe that it is reasonable to expect that the level of services required for preschool handicapped children would generally decrease if the providers are adequately serving the children. The following table summarizes the results of the re-evaluations of children we selected judgmentally for our review, based on our site visits and questionnaires.

LEVEL OF SERVICES AFTER RE-EVALUATION

District	Number of Children Originally Evaluated	Number of Children Re-evaluated*	Level of Services After Re-evaluation		
			Increase	Decrease	Same
Site Visits:					
Connetquot	21	14	3	3	8
Levittown	28	27	4	6	17
Liverpool	30	30	8	9	13
Ravena	31	28	10	7	11
Rensselaer	20	15	3	0	12
Sachem	27	24	7	3	14
Questionnaires: Responses from 48 District CPSEs	398	354	46	100	208
Total	555	*492	81	128	283
Percentage		100%	16%	26%	58%

* There are fewer re-evaluations than evaluations due a number of factors. First, children may move out of the school district before being re-evaluated. Secondly, children may be new to the program, and not up for re-evaluation yet. Finally, children may become school age, in which case they would be re-evaluated by the Committee on Special Education, not the Committee on Preschool Special Education.

Our review indicates that the level of services decreased for 128 (26 percent) of the 492 children we selected for review. For the remaining 364 children (74 percent) who were re-evaluated, the level of services stayed the same or increased, suggesting that there was little or no measurable improvement in the childrens' conditions.

According to a Department official, another possible indication of program success is if the number of handicapped children, and the level of services that they required, decreased when the children reached school age. Our analysis of the statistics of the school aged handicapped children indicates that the effectiveness of the preschool handicapped program is again questionable.

For example, the total number of 5 year-old children who were enrolled in handicapped education programs for the speech impaired (for school age children) increased by 1,537 children (or 42.4 percent), from 3,626 in 1989-90 to 5,163 in 1991-92. Furthermore, the total number of 5 year-old children enrolled in all handicapped education programs (for school age children) increased by 2,131 children (or 31.5 percent), from 6,770 in 1989-90 to 8,901 in 1991-92. In contrast, the total number of 5 year-old children in school age

programs increased only 4.9 percent during this period.

Although the number of children enrolled in preschool handicapped education programs (for the speech impaired and in total) increased dramatically during the same period (see Exhibit A), these increased enrollments did not reduce the number of 5 year-old children who were subsequently placed in handicapped education programs (for school age children). (Note: The figures cited are gross enrollment totals provided by Department officials. Some of the 5 year-old children included in the figure for school age handicapped education programs may not have been enrolled in preschool handicapped education programs.)

Department officials stated that it is difficult to judge outcomes and success of preschool special education children because they often do not progress at easily measurable rates. Department officials also stated that it is difficult to define success for these special children. For example, a slight improvement in a child's condition could or could not be defined as successful. Nevertheless, we found little evidence which indicated that program results were generally adequate.

Given the investment taxpayers make in the program each year (almost $300 million in 1990-91), we believe that the Department should monitor and assess the success of the program in serving the needs of preschool handicapped children.

Recommendation

4. Develop formalized program goals and objectives. Implement performance standards to measure the successfulness of the program.

The Effectiveness of Individual Program Providers

During the 1990-91 year, 294 providers served the State's preschool handicapped population. Some providers of services for all handicapping conditions charged $20,000 or more per child for center-based services during the 1990-91 year. Many of the providers have large programs. For example, the State and the counties paid each of 80 providers $1 million or more in tuition during the 1990-91 year. Yet, we found that provider effectiveness is not assessed and that provider compliance with the Department's regulations is not adequately monitored.

a. Site Visits Are Few and Do Not Address Program Effectiveness

The Department's Division of Program Monitoring (Division) is responsible for ensuring that providers comply with the applicable laws and regulations which govern the handicapped education program. The Division has regional associates, whose responsibilities include on-site evaluations of the various public education programs at the localities. The Division requires the regional associates to review school district records once every three years to ensure that childrens' evaluations are complete, that proper notifications were made, that record access is limited, and that IEPs are properly completed. However, the supervisor of the Department's Albany regional associates told us that regional associates actually visit the school districts only once every four to five years. At the Liverpool District, CPSE officials stated that they had not been visited by a regional associate since the Department became responsible for the program in 1989.

A site review by a regional associate typically includes an examination of a random sample of childrens' files. These file reviews, however, are generally limited to such items as class size, hours of instruction, and facility, health and safety issues. The regional associates do not review or question the evaluation and placement of a child diagnosed with a handicapping condition. Moreover, these reviews do not address the aspects of program performance and benefit to the children.

A Department official acknowledged that the regional associates have conducted few assessments of individual providers. Furthermore, the Department receives no formal feedback from the CPSEs or parents regarding the effectiveness or quality of the services the children have received. Without such reviews, we believe that neither Department nor local officials have adequate assurance that the providers' programs are effective and that the children are benefitting from placement in the programs.

Department officials stated that the Department is planning to conduct quality assessments of providers in the near future. They further noted, however, that to effectively assess providers' programs, outcome data would have to be gathered, which would require additional staff resources.

b. Most Providers Have Only Conditional Department Approvals to Operate

As part of the Division's responsibilities, a regional associate conducts a desk review of a provider's program application to determine whether a conditional approval to operate should be granted. If the information presented on the application is consistent with Department standards, the provider is conditionally approved to operate. Department officials indicated that the Division grants full program approval, when the regional associate, based on a site inspection, finds that a provider has actually complied with the prescribed regulations.

We determined that the Department has yet to grant full approval to most program providers. As indicated by the following table, 199 (65 percent) of the 304 providers statewide had only conditional program approvals during the 1991-92 year.

	1989-90	1990-91	1991-92
Total Providers	291	294	304
Conditionally Approved	274	221	199
Amount Paid to Conditionally Approved Providers (in millions)	$137.2	$180.2	Not Available
Number of Children in the Conditionally Approved Programs	18,677	23,366	22,660

In addition, of the 199 conditionally approved providers in 1991-92, 132 have not yet had a field visit from a regional associate. Consequently, we believe that the Division has less than adequate assurance that these 132 conditionally approved providers are in substantial compliance with the Department's regulations. Department officials stated that they are short-staffed due to budget cuts, and therefore, are unable to inspect, monitor and fully approve all providers. In response to our draft report, Department officials indicated that other mechanisms for ensuring program compliance are in place. They pointed out that the school districts, municipalities, and regional associates are very knowledgeable about the preschool education programs in their areas.

Recommendations

5. Periodically evaluate the program effectiveness of individual providers.

6. Develop a plan to minimize the number of conditionally approved providers. Place emphasis on the providers with the largest programs.

Analyzing Cost Data

The Department approves and maintains all program cost data for each child and for each county in the State. Although analysis of this data could provide Department management with an indication of those counties which incur comparatively high (or low) costs for services for handicapped preschool children, the Department does not routinely perform such analyses. Consequently, Department officials could not identify and assess the practices of the providers for specific counties whose costs per child varied significantly from other counties in the same region of the State.

Using data maintained by the Department, we estimated the average approved tuition costs (by county) for children who were diagnosed as speech impaired and were placed in center-based programs during the 1991-92 fiscal year. (Note: Our estimated tuition costs exclude transportation costs as prorated for all handicapped children in each county. We also excluded St. Lawrence County, whose estimated costs were too low to be considered reasonable for purposes of our analysis.) We found that there was a wide range in the cost per child among the counties, from $4,930 per child in Schuyler County to $17,226 in Nassau County. The median per child cost for the counties was $10,327. Although some variation is expected due to regional cost differences, we noted that local differences also exist. The following are some examples of the variances in the estimated costs per child in some neighboring counties:

Downstate Region:					
Nassau	$17,226	Sullivan	$15,077	Rockland	$12,869
Suffolk	$13,808	Orange	$10,046	Westchester	$9,016
Difference:	$ 3,418		$ 5,031		$ 3,853
Upstate Region:					
Ontario	$11,487	Niagara	$10,665	Herkimer	$13,955
Livingston	$ 7,300	Erie	$ 7,944	Otsego	$ 8,007
Difference:	$ 4,187		$ 2,721		$ 5,948

In addition, costs (per child) for similar programs within counties sometimes varied significantly. For example, two providers in Suffolk County offered three-hour per day programs for all categories of handicapping conditions. The approved annual cost per child for one provider's program was $14,164 while the approved annual cost per child for the other provider's program was $25,915, or 83 percent higher.

Although unusually high or low cost variances may be justified in some instances, it is also very possible that some counties are incurring significant amounts of unnecessary costs for children placed in the program. Since the program's annual costs approach $300 million, we believe that Department officials should: perform periodic cost analyses to identify counties or programs where costs may be too high or too low; and follow up to determine whether the exceptionally high or low costs are justified and recommend the appropriate corrective action, as necessary.

In response to our draft report, Department officials indicated that the costs and cost variances cited in the report represent a carry-forward from 1988-89, when tuition rates were established by municipalities using an unspecified criteria. Presently, tuition rates are based on a cost-based methodology which is prescribed by the Department. Also, the Department's Administrative Audit Unit compares rates of similar programs when selecting schools for audit.

Recommendation

7. Periodically analyze program cost data to identify the counties, districts, providers, or handicapped conditions which varied significantly from a normal range. Conduct appropriate follow-up to determine whether significant cost variances are justified.

Summary of the Number of Children Enrolled in Preschool Handicapped Education Programs by Condition For the 1989-90 through 1991-92 School Years

Condition	1989-90 Amount	1989-90 Percent	1990-91 Amount	1990-91 Percent	1991-92 Amount	1991-92 Percent
Speech Impaired	10,232	58.22%	16,961	62.03%	19,644	63.54%
Multiply Handicapped	2,944	16.75	3,901	14.27	4,001	12.94
Mentally Retarded	1,271	7.23	1,737	6.35	1,908	6.17
Emotionally Disturbed	950	5.41	1,622	5.93	1,897	6.14
Learning Disabled	706	4.02	1,119	4.09	1,231	3.98
Orthopedically Impaired	641	3.65	785	2.87	857	2.77
Other Health Impaired	368	2.09	497	1.82	617	2.00
Autistic	192	1.09	316	1.16	329	1.06
Hard of Hearing	120	.68	196	.72	221	.72
Visually Impaired	83	.47	122	.45	125	.40
Deaf	69	.39	86	.31	87	.28
Totals (See Note)	17,576	100%	27,342	100%	30,917	100%

Note: The amounts and percentages shown in this table may vary slightly from the amounts and percentages cited previously in this report because some children were reported in more than one category of handicapping condition. Amounts and percentages cited previously in the report have been adjusted for children reported in more than one category.

Exhibit A

Estimation of the Potential Cost Savings
If Speech Impaired Preschool Children Received Center-Based and Itinerant Services
in the Same Proportions as School-Aged Children
For the 1989-90 through 1991-92 School Years

	1989-90	1990-91	1991-92
Total Speech Impaired Preschool Children	10,232	16,961	19,644
Percent of School-Aged Speech Impaired Children Receiving Itinerant Services	0.5807	0.5554	0.5340
Estimated Preschool Itinerant Services Enrollment (based on School-Aged Itinerant Services Rate)	5,942	9,420	10,940
Estimated Preschool Center-Based Enrollment (Total Speech Impaired Preschool minus Estimated Preschool Itinerant Services Enrollment)	4,290	7,541	9,154
Actual Per Child Cost - Itinerant**	$1,570	$2,332	$2,682*
Actual Per Child Cost - Center-Based**	$9,858	$11,345	$11,031
Difference between Actual and Estimated Costs:			
Actual Total Costs**	$94,460,906	$174,538,892	$193,922,075*
Estimated Total Costs***	51,620,251	107,516,851	129,110,007
Estimated Cost Savings (Annual)	$42,840,655	$67,022,041	$64,812,068*
Total Estimated Savings (1989 to 1992):			$174,674,764

* For 1991-92 we estimated the actual costs based on the ratio of approved costs to actual costs in prior years.

** Imputed by applying the ratio of total approved program costs/total actual program costs to the approved costs by specific handicapping condition. (The amounts presented are rounded to the nearest dollar for presentation purposes. However, the actual amounts [in cents] were used in the subsequent calculations of costs and estimated savings.)

*** The Estimated Total Costs equals (the Estimated Preschool Itinerant Enrollment times the Actual Per Child Cost - Itinerant) plus (the Estimated Preschool Center-Based Enrollment times the Actual Per Child Cost - Center-Based).

Exhibit B

THE STATE EDUCATION DEPARTMENT

EXECUTIVE DEPUTY COMMISSIONER OF EDUCATION
THE NEW YORK STATE EDUCATION DEPARTMENT
ALBANY, NEW YORK 12234

July 9, 1993

Mr. David R. Hancox
Director of State Audits
State of New York
Office of State Comptroller
Albany, New York 12236

Dear Mr. Hancox:

Thank you for the opportunity to review and comment on the State Comptroller's draft audit report (93-S-23) on the New York State Education Department's administration and oversight of the State's preschool handicapped education program pursuant to Section 4410 of the Education Law. The following comments focus on the text of the report and its recommendations:

Comments on the text of the report:

- Executive Summary, Page 1, of Paragraph 1 - Scope of Audit

  The draft report states that it is the responsibility of the Committee on Preschool Special Education (CPSE) to evaluate the preschool child suspected of having a disability. This information should be clarified to reflect that it is the CPSE's responsibility to ensure that an evaluation is conducted. Current statute prohibits a school district from conducting the evaluation unless it is an Education Department approved preschool provider.

- Executive Summary, Page 2, of Paragraph 2 - Audit Observations and Conclusions

  The report states that "since the private evaluators are also providers of program services, they can recommend children for the programs they operate." The Department recognized the inherent conflict-of-interest in the role of the evaluator and proposed legislation to amend Section 4410 of Education Law: 1) to authorize school districts and independent evaluators approved by the Commissioner of Education to evaluate preschool children, and 2) prohibit evaluators from recommending any service provider within its findings. Chapter 705 of the Laws of 1992 enacted only the latter change.

- Page 7, Paragraph 2 - The program lacks placement guidelines.

The report describes itinerant services which were deleted from Section 4410 as amended by Chapter 705 of the Laws of 1992. These services are now described as either related services or special education itinerant services. This change provides for more flexibility in the provision of such services.

The Department will issue guidelines to assist CPSEs in determining appropriate recommendations for services in light of the revised eligibility criteria and concepts regarding the least restrictive environment. In addition, the Department conducted statewide training on such issues to both CPSEs and county representatives. It is anticipated that follow-up training, in addition to the programmatic guidelines, will assist CPSEs in making supportable decisions regarding appropriate eligibility and placements within the context of the current delivery system in New york State.

- Page 11, Paragraph 4 - CPSEs are not functioning properly.

The report cited that CPSEs did not always include Certified School Psychologists or Licensed Psychologists as members. It was noted that, as a result, CPSEs did not possess the professional expertise to review assessments and recommendations of the evaluator. Although Section 4410 of the Education Law does not specifically include such professionals as CPSE members, a psychologist could be part of the CPSE meeting either as the school district representative on the CPSE or as the member of the evaluation team who must be present at each CPSE meeting. However, the CPSEs visited were operating within the statutory requirements.

- Page 12, Paragraph 1 - CPSEs are not functioning properly.

The report states that the Executive Office of the municipality may appoint an appropriately certified or licensed professional to the CPSE. Chapter 705 of the Laws of 1992 revised this provision to require that the Chief Executive Officer of the municipality must appoint a professional to the committee. This revision in statute should effectively address this issue.

- Page 20, Paragraph 3 - a. Site visits are few and do not address program effectiveness.

The report states that regional associates do not review or question the evaluation and placement of a child determined to have a disability. When conducting a review of special education programs, the Department's regional associates can examine only whether the Committee is conducting the required annual reviews of the student's individualized education program (IEP) and whether the IEP is being implemented. A regional associate cannot evaluate the Committee's decision as to whether programs are appropriate but can review the documentation of the options considered in the process of choosing a placement. The determination of the child's progress at the annual review is, by statute, the responsibility of the CPSE. Information regarding the number of children served or underserved is reported to the Department by school districts who are required to maintain a register of such information.

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The guidelines and training addressed above should improve decision making by CPSEs.

Comments on Recommendation

Page 10 - Issues: The program lacks placement guidelines

Recommendation 1A:

The Department agrees with the recommendation that increased technical assistance is needed on the assessment of preschool students with disabilities. The Department has conducted an extensive statewide training program for CPSEs, providers, parents, and county officials on the new eligibility criteria and other issues. The new eligibility criteria were established in Regulations adopted by the Regents in April 1993, effective July 1, 1993. Guidelines will be issued and a training video developed that focus on placement issues, paying special attention to students who are speech impaired.

Recommendation 1B:

The Department agrees with this recommendation. The Department will issue guidelines to assist CPSEs make recommendations regarding integrated settings within the context of the current day care delivery system in New York State. The Department also conducted statewide training throughout this spring to address programmatic guidelines and CPSE funding. The Department will develop a training package to be delivered by the Special Education Training and Resource Centers regarding the implementation of Chapter 705 of the Laws of 1992. This will help CPSEs to review evaluation results and make appropriate recommendations based on the varying needs of students.

Recommendation 2:

The Department agrees with this recommendation. Chapter 705 of the Laws of 1992 requires that CPSEs consider related services and special education itinerant services prior to recommending any service. The Summary Report required by Chapter 705 of the Laws of 1992 requires CPSEs to state how the child will be served in the least restrictive environment. In addition, the new eligibility criteria more appropriately determine a preschool student's eligibility and need for special education services.

Page 16 - Issue: There is a conflict-of-interest during the evaluation process.

Recommendation 3A:

The Department agrees with this recommendation. Chapter 705 of the Laws of 1992 minimizes the conflict of interest by prohibiting an evaluator from recommending the service provider. In addition, the Department will again advance legislation to allow independent evaluators and school districts to conduct evaluations for preschool students. If enacted, the number of

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approved evaluators would increase, thereby diminishing the direct connection between evaluators and State providers.

Recommendation 3B:

The Department agrees that CPSE members, consistent with Part 200 Regulations of the Commissioner of Education, must be qualified and appropriately trained to review the education material and determining the extent of the preschool student's individual needs. The Department supports the provision of ongoing statewide training for CPSE members that addresses the issues and factors affecting program services recommendations and placements in the least restrictive environment and assessment procedures. The Department is currently considering several approaches in regard to the delivery of this statewide training. Potential approaches include statewide teleconferences and statewide training conducted by Department staff at regional sites.

As required by statute, school districts are responsible for ensuring that the evaluation is conducted and the student's individualized education program is developed. Although school districts, unless they operate an approved preschool program, are not authorized to evaluate preschool children suspected of having a disability, CPSEs may request additional evaluative information that they deem necessary to fulfill their functions.

As a further effort to ensure that qualified individuals participate at CPSE meetings, the Department continues to encourage chief executive officers of municipalities to appoint appropriately licensed or certified professionals who have knowledge of preschool assessment procedures and placement options.

Finally, the Department is considering the development of legislation which would require that Committee Chairpersons be certified by the Department following successful participation in a training program conducted by the Department. This proposal would serve to enhance the knowledge and skills of Committee Chairpersons leading to greater programmatic efficiency, statewide.

Page 19 - Issue: The Department does not assess overall program performance.

Recommendation 4:

The Department agrees with the need to develop a methodology to evaluate the effectiveness of the preschool system. Specific approaches to address the initiatives are being considered by the Preschool Special Education Advisory Committee. The Department is required to monitor programs for compliance with Federal and State laws and regulations within the limits of current resources. However, the Department will be undertaking a study of best practices in model programs across New York State. This will assist the Department in establishing parameters for quality assurance. In addition, the Department will examine alternate solutions to decreasing the number of conditionally approved providers.

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Page 22 - Issue: The effectiveness of individual program providers is not evaluated.

Recommendation 5:

The Department agrees with this recommendation. The Department will be examining preschool special education programs to identify and assess elements which indicate effective programming. The Department will disseminate a Request for Proposals which will promote programs leading to effective programming.

Recommendation 6:

The Department agrees with this recommendation. The audit report asserts that there is a need to decrease the number of conditional approvals of preschool special education program providers. In 1989, the State Education Department assumed responsibility for approving programs which serve preschool students with disabilities. At that time, regional associates conducted both site and paper reviews of programs before authorizing conditional approvals. The report indicates that most programs remain conditionally approved and that there is reason to question whether these programs comply with Department regulations. The report is accurate in that, due to decreasing resources, the number of site visits has decreased. However, other mechanisms for ensuring program compliance are in place. School districts, municipalities, and regional associates are very knowledgeable about the preschool special education programs in their area. Formal complaint procedures may be implemented if concerns about a program occur.

Page 23 - Issue: The Department does not analyze cost data.

Recommendation 7:

The Department acknowledges that the tuition rates among preschool programs vary. This should not be surprising since public school district per student costs vary between and among districts across the State as well as within the same geographic area due to a variety of factors - differing salary scales being the most significant. Salaries are set by each school district based on local issues and costs of living. The same circumstances apply to preschool programs. An additional important cause for the variances in tuition rates is the degree of severity of disabilities served by different schools and the nature and scope of the services required by student IEPs which may vary substantially even among programs approved to serve a general category of disabled students such as "speech impaired."

In addition, the number of evaluations which a given provider has been performing affects the program tuition rate. The tuition rates for the period 1989-90 through the 1992-93 school year represent a combination of evaluation costs and tuition costs. If, over time, a school provided many evaluations and that school's tuition rate is compared to a school that performed only a minimal number of evaluations, it could be generally assumed that the school performing the greater number of evaluations would have had the higher tuition rate.

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Given the above, it would be impossible to substantiate or disapprove the Audit Report's declaration that ". . . it is very possible that some counties are incurring significant amounts of unnecessary costs for children placed in the program" until such time that a field audit is performed on each of the questioned programs. The majority of these 1991-92 rates cited in the audit report represent a carry forward of 1988-89 Family Court Rates established by municipalities under unknown criteria.

The Department has established in regulation a cost-based rate-setting methodology which includes a provision to reconcile tuition rates based on submitted cost reports. The Department's Administrative Audit Unit is, and has been, performing audits on 4410 programs and, as part of the criteria for selection of audit candidates, routinely reviews a school's rate as it compares to rates of similar programs. In addition, municipalities are authorized to serve as the State's fiscal agent in auditing local programs and several, including New York City and Suffolk county, are doing so.

If you have any questions regarding the Department's response, please contact me.

Sincerely,

Thomas E. Sheldon

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